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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2252

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MINISTER SCORES 1981 FOREIGN TRADE RESULTS

Budapest FIGYELO in Hungarian No 9, 3 Mar 82 p 9

[Article: "Foreign Trade Results for 1981"]

[Text] On 2 March Peter Veress, minister of foreign trade, held a press conference on 1981 foreign trade results and on this year's tasks, which we summarize in the following:

In planning the 1981 targets, we proceeded on the assumption that the 1981 economic recession in capitalist economy would be eased by a small recovery in the second half of 1981. The expected upturn did not take place, and recession and unemployment continued in the capitatlist world. The developed capitalist countries tried to ease their economic difficulties with commercial-political measures, they strengthened protectionism, dumping proceedings against foreign suppliers became more frequent, and signs of discrimination increased. Our cooperation with socialist countries played a stabilizing role in our foreign economic relations. The continuity of this realtion was not affected by the negative phenomena of capitalist economy, but trade expansion occurred at a slower rate than usual in former years, rounding out in socialist countries as well a production reduction with the effect of narrowing the export commodity base and moderating the import demand of a restrained domestic consumption.

More in Value and Volume

It may be said of world trade as a whole that it was stagnant in 1981. West European imports, chiefly in industrial items, declined. The negative phenomena of the world economy were intensified primarily in the less progressive areas as, for example, in metallurgy, light industry and certain subbranches of the chemical and machine industries, but they also affected the food business.

Despite external circumstances that were less favorable than had been assumed, last year's foreign trade was in accord with targets as a whole. Total trade in 1981 at current prices and at border parity came to 613.7 billion forints, and exceeded 1980 trade by 5.6 percent. This included a 6.8 percent increase in exports and a 4.8 percent increase in imports. Calculated at the previous year's prices, the increase in exports came to 3 percent and in imports to 0.3 percent.

The most essential element of the economic political line we have followed since 1979 is the effort at gradual improvement of the foreign economic equilibrium. The year 1981 was also a link in this process. In ruble relations, the terms of trade deteriorated, and in nonruble relations they improved by more than 2 percent. The improvement in the terms of trade itself meant a 4.5 billion forint balance improvement as compared to the plan.

Among socialist countries we conducted one-third of our total export trade with the Soviet Union and 28.6 percent of our imports. Our second most important socialist partner was the GDR, with a share of 6.9 percent in our exports and 6.7 percent in our imports. The CSSR, Poland, Romania and Bulgaria followed in that order.

An important factor in our 1981 trade with the developing countries was the improvement in the balance, decisively because of the dynamic increase in exports. Our most important import partners in the developing world were Brazil, Iran and Pakistan; and our most important export partners were Iraq, Iran, Libya and Algeria.

Structural Changes

Ruble account trade developed in harmony with equilibrium requirements. Exports increased by 8.9 percent; this was made up of a 4.7 percent rise in prices and a 4 percent increase in the colume of delivered goods. The export of all main commodity categories increased except for machinery, which remained at the 1980 level.

A significant change in the export structure as compared to the previous 3 years is represented by the decline in the ratio of machinery and the increase in the ratio of materials and spare parts. The volume of metallurgical and chemical industry materials has expanded considerably in our exports. The export of consumer industry items and food products has also become more brisk. On the whole, the volume of our machine exports has remained unchanged. We have delivered about 28 percent of total exports in agricultural and food products to ruble account countries, but for certain products (fresh and processed vegetables, fruit and wine) the ratio is much higher. Our enterprises have tried to exploit opportunities for imporving the economy of our export structure. As a result of their price work, we have succeeded in achieving a greater price increase than planned.

The value of imports increased by 5.3 percent, but considering the significant price increase, the volume of imported products declined for the first time since 1976.

The volume of imports in machinery and investment goods declined by almost 15 percent. This decline is related to the moderating demand for domestic investments. Although the ratio of energy sources in our import structure increased, the volume declined. The price increases for these products exceeded the plan. The volume of materials and semifinished products increased somewhat. The increase in the import of food items derives partly from price rises, but there was a significant increase, among other things, in the volume of imported sugar, refined alcohol and beer.

Most of our socialist partners are in a phase of economic growth similar to our own. Characteristic of this phase is the conversion to intensive development, a capital shortage which inhibits rapid elimination of bottlenecks, and a relatively slower economic growth. In some instances it is resulting in the maintenance of the export level, in some places a decline or a structural change. This represents for us a problem primarily in material and energy type products.

An important area of our relations is socialist specialization and cooperation. For the Sixth Five-Year Plan period we extended by far the greater part of the specialization and cooperation contracts, and despite the more difficult international economic circumstances we have begun their fulfillment. We have also signed many new contracts, primarily of a specialization and cooperation nature.

Among CEMA countries the Soviet Union is our most important partner in the trade of specialized and cooperation products. In 1981 we conducted 63 percent of our specialized and cooperation export trade with the Soviet Union, and 57 percent of our import trade. In our specialized machine imports from the Soviet Union, three product groups may be emphasized: road vehicles; construction, road construction and construction-material industry machinery; tractors and agricultural equipment.

Despite significant results in production cooperation, we have lagged in the specialization of spare parts and components. In a number of areas, for example, spare parts for modern communications technology, we have not succeeded in developing a cooperation that meets the demands.

Effect of the Recession

Nonruble account exports increased by 4.7 percent, but lagged behind the planned value. Among individual main commodity groups, the increase in the export of food products was the most rapid, while the export of materials, semi-finished products and spare parts declined also in value. Thus the export structure departed from the plan. Export lower than planned was due primarily to the reduced export of metallurgical and light industry products. The export of chemical industry products developed favorably, while the sale of machine industry products increased at a rate above average. Sales of chemical industry and agricultural machinery expanded. But the export of transportation means declined, as did the demand for certain durable consumer goods. Given the favorable price formation for food products, the volume of sales rose by more than 10 percent; and thus at current prices, sales were one-fifth higher than a year ago.

The 1981 development of our export structure shows that the recession in the capitalist economy has affected primarily our export of industrial products. This has also been strengthened by our insufficient competibility.

Our nonruble account imports as a whole exceed the plan only to a small degree; volume increase was greater than planned, and price formation was favorable. Imports increased in 1981 by 4.4 percent, and there were no significant

changes in structure. It is important to note that in contrast to the trend of the past 3 years the share of materials and semifinished products declined while that of machines increased. Imports of machine industry products increases significantly. The ratio of energy sources declined.

Despite the low degree of economic growth, the scarcely expanding world trade and the political strains, our commercial relations in 1981 were an organic part of the cooperation we conducted with capitalist enterprises. The volume of commodity trade we conducted in the framework of cooperation contracts continued to rise last year, and our imports had a value of 231.6 million dollars and our exports 251.5 million dollars. As in previous years, although to a relatively modest extent, the cooperation projects contributed to a favorable development of the foreign trade equilibrium. Our most important cooperation partner was the FRG followed by Austrian and Swiss firms. In dollar account trade, the volume of cooperation projects conducted with Yugoslav enterprises was also significant.

The most important foreign trade task this year is the improvement of the equilibrium. Foreign market conditions continue to be unfavorable for the attainment of our goals. Because of the delay in an upward economic trend in the capitalist countries, we cannot expect an increased demand, an abatement of protectionism, or a restraint on other commercial political factors and phenomena hindering our exports.

The role of the socialist countries continues to be determining in our foreign trade. In addition to maintaining imports at the present level, we must expand the volume of our exports to this group of countries by about 8 percent. We must devote increased attention to an advantageous transformation of the export structure, and to a further improvement in economy savings.

In nonruble accout trade, we must expand the export volume by 8 to 9 percent in harmony with an improvement in the equilibrium. This requires, above all, a rapid rate of growth in the export of industrial products; this especially includes a considerable increase in the export of machine and light industry products. In 1982 we want to strengthen our trade with the developing world by increasing our exports by 12 percent and our imports by 5.5 percent. The oil exports of the OPEC countries, who play an important role from the viewpoint of our exports, can be expected to decline in response to the combined effect of moderating demand and declining prices. Thus we can count here on a narrowing market and stronger competition.

Since we are counting on difficult external circumstances, this year's economic plan is posing high requirements on foreign trade. This is particularly true of our nonruble relation. The condition for a successful fulfillment of the task is an appropriate use of the means system and coordination of execution both in the field of management and enterprise activity.

6691
CSO: 2500/158

PLANNING COMMISSION DEPUTY INTERVIEWED ON 1982 ECONOMIC PLAN

Warsaw KURIER POLSKI in Polish 8-10 Jan 82 p 3

[Interview with Dr Ludwik Ochocki, deputy chairman of the Planning Commission: "What Will 1982 Bring?", date and place not given]

[Text] [Question] Sir, what is the general forecast for the economy this year or, if it is difficult to talk about the whole year, at least what is it for the next few months?

[Answer] The course of action for this year was outlined in the Central Socio-Economic Plan for 1982 prepared last December. The Council of Ministers approved this plan with Resolution No 258 of 11 December 1981. The tasks and means for socio-economic development were grouped into two variants: for a situation of more modest opportunities and for that of greater opportunities.

[Q] Originally, there was talk about two variants: fear and hope and about a third, intermediate one.

[A] These are the terms in the premises used for developing the draft plan. In principle, the intermediate variant has been accepted and the economy will be redirected depending on the results that will be achieved, especially in the extractive, manufacturing and export industries.

This is also the period of switching our economy to the new system based on the principles of economic reform. This is also included in the plan which is based on the presumption that the reform will work. Imposition of the martial law in our country did not invalidate the plan.

Following the directives of the Military Council of National Salvation, the government passed a resolution on 30 December 1981 adjusting the operating rules of the economy to the conditions of martial law attempting, at the same time, to incorporate in the economic policies the economic mechanisms established by the 1982 resolution on the subject of principles for management of enterprises. The tools to be used also had to be adjusted and it was decided to prepare a greater number of the so-called operational programs. Originally, there were nine such programs and, in result of the decision of

the Economic Committee of the Council of Ministers, the number was increased to 14.

[Q] Perhaps, it should be added that these programs deal with key areas of the economy related to the supply of means of production for agriculture and the food industry (processing of grain, milk, meat and fat and supplies for the food industry), the supply of medicines and equipment for health services and the supply of personal hygiene articles for the population, the supply of clothing and shoes for children and youth and the supply of protective and work clothing, the problems of fuel, energy, transportation and the basic utilities (transportation, water, heating and urban sanitation), export matters and matters of defense and national security.

[A] I would also add that these programs set the goals as well as prescribe the means necessary to achieve them and they designate the officials in individual ministries who are responsible for the implementation of these programs. The implementation plans have been prepared both for the entire year and for shorter periods--quarters (this is new, has been introduced to adjust the planning to the state of martial law). The achievement of greater precision and efficiency in the implementation of plans is intended.

[Q] Sir, we know that the pace of our economy has recently slowed down. If we accept the data provided by the Central Office of Statistics, e.g. regarding production of coal (those 163 million tons that put us back to 1974 as far as coal is concerned) and other recently released data, the question arises whether we will spread the available means to all branches and enterprises or (what seems more rational) we will determine those branches of the economy which are not only most needed today and are included in the operational programs but also those which are most promising for the future. Should we not assure that the latter will work continuously and orderly, without interrupted deliveries of raw materials, energy, etc. On the other hand, this would cause stopping the operation of those enterprises which, for one reason or another, have not satisfied the criteria and a problem will arise with people working in those enterprises.

[A] Operational programs focus on main economic goals. Article 6 of the Council of Ministers Resolution on operations during the period of martial law clearly states that the enterprises participating in operational programs including small business units have priority to purchase and in the allocation of energy, fuels, raw materials, machinery and means of transportation.

In regard to the other enterprises, in view of the diminished ability to supply means of production, and this means also imports, it will not be possible to guarantee delivery to all. The Council of Ministers instructed the chairman of the Planning Commission that, in coordination with the ministers, to establish a list of enterprises threatened with delays or permanent work stoppages due to the lack of means of production. This determination will be valid until the end of this year.

Of course, this is not only the matter of so-called objective factors of production but also of politics--relocation of employment, level of earnings

and assurance of occupational adaptation. Hence, the Economic Committee of the Council of Minister decided this Tuesday to create the Vocational Activation Fund. It will serve the purpose of vocational adaptation and also that of equalizing the earnings of those people who worked in suspended enterprises which, perhaps, will be able to resume production as the balance of payments and deliveries of raw materials improve.

[Q] Sir, you have used the term "balance of payments." We know that at this time this is a very difficult situation and that one of the most important problems is not only to assure the essential imports, because there are areas for which we must import raw materials. But the most serious problem and goal at the same time is how to substitute non-essential imported raw materials from our own so far unused, domestic resources.

[A] The functioning of the economy depends on financial dealings with foreign countries. Unfortunately, our network of commercial and co-production connections with foreign countries has started to unravel. This was caused by the fact that Poland could not meet some of its obligations (especially because of decreased raw material production and because foodstuff exports (were stopped) in view of the well known market situation). At the same time, as a result of the economic boycott imposed on our country, it will be necessary to seek new sources of some raw materials and fodder, particularly for the food processing industry. However, this will not be simple and will require some major shifts in our areas of trade and will require changing our relations with Western countries to those with socialist countries. For instance, the position of U.S. Government regarding the boycott of credit aid and agricultural products deliveries and the prohibition on fishing by our vessels [in U.S. waters] will cause specific difficulties. The main problem will be to rationally manage the domestic raw materials and resources and to prevent waste.

The example is provided by the actions regarding residential construction. The 1982 program for this area is not one of the operational programs but because of actions by a Sejm committee and proposals submitted by voivodships and construction cooperatives, the government decided to prepare a special program for residential construction which would plan some growth in construction through better use of materials. This means avoidance of waste (its existence has been confirmed by numerous audits) and also using local raw materials for the production of building materials such as bricks and such. The Planning Commission plans to develop these two programs, i.e., to increase residential construction and to start production of building materials based on local raw materials, and to submit them to the Economic Committee of the Council of Ministers.

[Q] And what about the small scale production and services? This is a subject of great interest to us as they are so essential in everyday life?

[A] Small scale production has its place in the new planning system based on the reform. For the first time this year, deliveries for this sector are included in the planned totals. In the material balance sheet, the needs

of small scale production are shown separately which has not been the case until now and thus will guarantees deliveries. Secondly, there is the question of small scale production in the operational plans, especially in the manufacture of protective clothing, cleaning and cleansing products and children's and youth clothing. Appropriate means have been put aside for this production. The principles which I have mentioned, also apply to services and trades.

[Q] Considering various statistics regarding our economy, such as coal production at the 1974 level. Can we make a comparative estimate of 1982?

[A] This is only the beginning of the year. It is difficult to forecast the weather, what kind of winter it will be, etc. But we can observe something which can be considered positive: we are working better. The results are already visible. We are producing close to 600,000 tons of coal per day. This indicates that we will be able to satisfy our energy and export needs and thus will be able to purchase raw materials with the earned hard currency and also will be able to satisfy the agricultural producers. It is essential that we work longer every working day. This also should bring forth additional results. On this basis, and assuming that new incentive systems are introduced under the economic reform, we should expect that the mechanisms foreseen by the economic reform will work and produce positive results. This will create a completely new situation that will provide a better starting point for the future. We will review this forecast after the first quarter of implementation of the operational programs, we have to see the results.

[Q] Among the many factors and problems we have discussed which, in your opinion, Sir, is the most basic?

[A] To my mind it is basic that in order to divide there must be something to be divided. The basic thing is to produce the national product and to halt the falling trend of the last few years. Thus, working is decisive--above all, working of the industries of which the national product consists: manufacturing, agriculture, construction and transportation. This does not mean that other areas, such as health, cultural and educational needs are of secondary importance. They contribute equally to satisfying of socio-economic needs. But, today we have only limited means and resources at our disposal, we are obliged even more than before, to employ rational and well thought out policies regarding planned actions. It will be necessary to enlarge the anti-inflationary role of the state in managing the means of production and controlling the economy. We can observe this in the current efforts of the Economic Committee of the Council of Ministers and in the role and tasks of the Planning Commission which has been assigned numerous new tasks.

8801
CSO: 2600/269

POOR ECONOMIC PERFORMANCE FOR JANUARY NOTED

Warsaw TRYBUNA LUDU in Polish 18 Feb 82 p 1

[Article by Andrzej Leszczynski: "Logging the Economy's Temperature"]

[Text] Yesterday's GUS [Main Statistical Office] report on economic performance for January 1982, at first blush, offers no more optimistic news than what we have been receiving in the previous months. The message of the figures is still brutally unpleasant.

The value of sold production in January 1982 was not only 13.6 percent less than a year before. It was 17.5 percent less than in December of 1981. Although employment slightly decreased (by 3.2 percent) and the wage fund was significantly reduced (16.1 percent) in comparison with last December figures, the economic ratios still present an unfavorable outlook.

It appears that in these difficult times an economist should adopt the attitude of a physician tending a severely ill patient. What is needed is the heightened attention with which he follows the slightest hourly improvement occurring in the patient's body combatting a disease. He does so not to reassure himself and the patient's relatives but in order to determine the course of further treatment and find out what methods to apply and what medication to prescribe.

Following this view, the economist will pay foremost attention to economic temperatures recorded over recent weeks and months. Without losing sight of last year's traditional comparisons, the economist will be primarily interested in what is currently changing and how that change effects the economic mechanism. Before he goes into a comparison of the situation during January 1981 with that of last January, the economist is bound to compare two consecutive months--December 1981 and January 1982. All the more so, since in mid-December martial law was introduced whose purpose it was to bring law and order to the country and to calm down an economy that was all acquiver.

A closer look at the statistical tables reveals telling information. Thus, production increases were posted last January in 27 out of a list of 50 major products for which comparable data exist, as compared with the figures for December 1981.

Included are hard coal (16.8 percent), lignite (3.4 percent), coke obtained from hard coal (8 percent), electric power (5.8 percent), rolled products (29.1 percent), passenger cars (51.1 percent), wheeled tractors (20.9 percent), cement (36.6 percent), lumber (4.5 percent) and fiberboard (20.4 percent).

Analyzing this list, the economist will note that most products in question are those whose production is independent or only partially dependent on imports of parts, subassemblies, raw materials and processed materials. Hence the conclusion that in those cases in which there is no barrier of external purchases we are able to achieve some progress through inputs with solid work, though not devoid of difficulties, and in an atmosphere that is free from fueled tension. Additionally, in January we noted in comparison with last December a drop in the production of a substantial number of products of the chemical industry, known to be largely dependent on foreign raw materials.

These facts give direction to future actions. In brief, growth in exports must provide resources for purchases of indispensable, necessary items abroad. What we manage to purchase, in turn, should be valued and economized with redoubled attention. Every shipment of imported raw material, every preparation and every replacement part literally price in gold. This is the first general conclusion.

While scanning the list of articles in which output last January increased as compared to December 1981, the economist will, however, notice another important development. The list is dominated by raw materials of fundamental importance for the economy: coal, electric power, rolled products and cement. These are goods that in a way provide an impulse for the entire economy and constitute, along with chemicals, basic products for processing in diverse industrial sectors.

If this favorable increase in energy, construction and metal-processing material should continue, it could be expected that something may budge for the better in the economy at large. This fact should not be lost sight of in the maze of figures and indicators.

It is not enough to diagnose a disease. We feel its presence daily, even without statistical compilations. The point is to derive correct conclusions from statistical data not for a cheap bolstering of the hearts but to realize what is changing and how to speed up such changes. Also, to avoid being dumbfounded by dry figures, it is necessary to learn how to read statistics, which is a second general conclusion.

8795
CSO: 2600/363

RESOLUTION ON ECONOMY UNDER MARTIAL LAW PUBLISHED

Warsaw MONITOR POLSKI in Polish No 1, 15 Jan 82 pp 1-4 Item 1

[Resolution No 278 of the Council of Ministers, dated 30 December 1981, on the functioning of the economy under martial law]

[Text] In connection with the special conditions of the state's functioning during the period in which martial law is in effect, the Council of Ministers resolves as follows:

§1. During the period of martial law, state enterprises operate according to the principles specified in Council of Ministers Resolution No 243, dated 30 November 1981, on the principles of operation of state enterprises in 1982 (MONITOR POLSKI No 32, Item 287), hereinafter called "Council of Ministers Resolution No 243, dated 30 November 1981," with the amendments implied in this resolution.

§2. In keeping with the Council of Ministers Resolution No 267, dated 18 December 1981 on the operation of the Council of Ministers Economic Committee under martial law, the Council of Ministers Economic Committee will handle the operational management of economic affairs and the coordination of government measures in the economic-financial and production sphere.

§3. 1. The Planning Commission of the Council of Ministers is preparing a draft of the central socioeconomic plan and drafts of short-range (quarterly) central plans and is establishing the scope and place of operational programs in these plans. The central socioeconomic plan is approved by the Council of Ministers. The short-range plans are approved by the Economic Committee of the Council of Ministers.

2. The Planning Commission of the Council of Ministers, in keeping with the regulations of Resolution No 201 of the Council of Ministers, dated 14 September 1981, on the matter of the principles for preparing drafts of annual plans and the budget of the state for 1982, is drafting operational programs, which are subject to confirmation by the Council of Ministers Economic Committee. Appendix No 1 to the resolution gives a list of the programs.

3. Within the framework of the central socioeconomic plan and the short-range plans, the Council of Ministers Planning Commission, in cooperation with the Office of Materials Management, in keeping with the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, will prepare:

1) central balance-sheets for power, fuels, raw materials and other materials,

2) drafts for the distribution of materials and of vehicles and construction machinery.

§4. 1. The appropriate ministers will appoint plenipotentiaries for the operational programs. The tasks of the plenipotentiaries will include the following:

1) participation in the preparation of the operational programs,

2) establishment of a list of enterprises undertaking production on behalf of the operational program,

3) insuring the cooperational ties necessary to implement the operational program,

4) supervision of the course of implementation of the operational programs and intervention in the event they are threatened.

The appropriate minister will define the exact scope of operation of the plenipotentiaries.

2. In drafting the list of enterprises discussed in paragraph 1, point 2, the plenipotentiary will take into account the initiative of the enterprises, their technical and organizational conditions and economic effectiveness. After the possibilities of the influence of economic instruments have been exhausted, the plenipotentiary will have the authority to charge the enterprise with the obligation of implementing the specified production targets on behalf of the operational program.

3. The ministers can appoint plenipotentiaries for the issues of differentiated production arrangements. Among the plenipotentiaries' duties is the exercise of supervision over the enterprises, as provided for founding bodies in the law of 25 September 1981 on state enterprises (DZIENNIK URZEDOWY No 25, Item 122), in the sphere established by the appropriate minister. Tasks anticipated for the obligatory associations envisioned may be entrusted to the plenipotentiaries.

4. The activity of the ministers' plenipotentiaries discussed in paragraphs 1 and 3 is financed out of funds in the appropriate section and division of the central budget.

§5. 1. Council of Ministers Resolution No 242, dated 30 November 1981, on the principles, manner, and dates for eliminating associations of state enterprises continues to be valid (MONITOR POLSKI No 32, Item 286).

2. Regulations of the resolution discussed in paragraph 1 do not apply to industrial associations (subordinate units) included in militarization, unless the appropriate minister sees fit.

3. Voluntary associations of state enterprises created prior to 13 December 1981 continue their activity in keeping with the regulations in effect.

§6. Enterprises participating in the implementation of the operational programs (including units of small-scale industry) and their coproducers will avail themselves of priority in the purchase and distribution of power, fuels, raw and other materials, machinery, and vehicles.

§7.1. The Minister of Materials Management will form supervision groups for the materials turnover units by 10 January 1982. The groups will be made up of representatives of the Council of Ministers Planning Commission, the Minister of Materials Management, the Minister of National Defense, and representatives of the involved ministries and central bodies.

2. It will be the task of the groups mentioned in paragraph 1 to exercise general supervision over the distribution of materials and to review revocations of allocations.

§8.1. The Chairman of the Council of Ministers Planning Commission, on the basis of the operational balances of payments, will have at his disposal foreign exchange funds for imports from countries considered in II payments area [capitalist countries], except for funds which the enterprises obtain from foreign exchange allowances from export revenue.

2. In order to distribute cash foreign exchange funds discussed in Paragraph 1, the Chairman of the Council of Ministers Planning Commission will immediately appoint an interministry group to control imports.

3. The interministry group to control imports allocates cash foreign exchange funds, in particular:

1) for the implementation of operational programs -- for appropriate ministers,

2) for the import of centrally balanced raw and other materials -- for the Minister of Foreign Trade,

3) for the imports for domestic market needs -- for the Minister of Domestic Trade and Services,

4) for the needs of the nonproduction sphere -- for the directors of the appropriate offices and institutions,

Appendix 1, continued

1	2	3	4
7	Operational program for supply of basic agents of cleanliness and hygiene	Minister of Chemical Industry and Light Industry	Ministry of Health and Social Welfare
8	Operational program for clothing, knitwear, and footwear for children, youth	Minister of Chemical and Light Industry	Ministry of Domestic Trade & Services, Central Union of Labor Cooperatives, Central Crafts Union, Central Union of Invalids Coops
9	Operational program for production and supply of protective & workers' clothing	Minister of Chemical and Light Industry	Office of Materials Management, Ministry of Labor, Wages & Social Affairs, Central Union of Invalids Cooperatives
10	Operational program for fuel and power	Ministry of Mining and Power Industry	Ministry of Chemical & Light Industry
11	Operational program for motor and rail transport	Minister of Transportation	Ministry of Metallurgy and Engineering Industry
12	Operational program for municipal economy concerning urban transportation, heating, street-cleaning, water supply	Minister of Administration of Local Economy and Environmental Protection	Ministry of Mining & Power, Ministry of Metallurgy and Engineering Industry, Ministry of Chemical & Light Industry
13	Operational program for exports included in payment regions I and II	Minister of Foreign Trade	all ministries and central unions of cooperatives
14	Operational program for the production, deliveries and services on behalf of the country's defense readiness & security	Chairman of the Planning Commission of the Council of Ministers	Ministry of Metallurgy and Engineering Industry, Ministry of National Defense, Ministry of Chemical and Light Industry, other ministries handling tasks related to the defense readiness and security of the country

Appendix No 1 to Council of Ministers Resolution No 278, dated December 1981 (Item 1) -- List of Operational Programs

Item No	Name of Program	Plenipotentiary Appointed by	Cooperating Ministries
1	2	3	4
1	Operating program for deliveries and management of fertilizers and pesticides	Minister of Chemical and Light Industry	Ministry of Agriculture and Food Economy
2	Operational program for the supply of machinery to agriculture & food industry; equipment, vehicles and spare parts, batteries, & tires	Minister of Metallurgy and Engineering Industry	Ministry of Agriculture and Food Economy, Central Union of Labor Cooperatives, Central Crafts Union
3	Operational program for bakeries and grain processing	Minister of Agriculture and Food Industry	Ministry of Domestic Trade & Services, Central Union of Food Cooperatives "Spolem", Central Union of Agricultural Cooperatives "Samopomoc Chlopska," Central Crafts Union
4	Operational program for milk processing and management	Central Union of Milk Cooperatives Board	Ministry of Metallurgy & Engineering Industry, Ministry of Domestic Trade and Services
5	Operational program for production, supply of meat and fats	Ministry of Agriculture and Food Economy	Ministry of Domestic Trade and Services, 'Samopomoc Whlopska" Central Union of Agricultural Cooperatives, "Spolem" Central Union of Food Cooperatives
6	Operational program for supply of basic medications, health products and medical equipment in public health area	Minister of Chemical and Light Industry	Ministry of Metallurgy & Engineering Industry, Ministry of Health and Social Welfare, Ministry of Agriculture and Food Economy, Ministry of Domestic Trade and Services, Central Union of Labor Cooperatives

Appendix 2

I. List of Consumer Goods for Which the Scope of Official Price-Setting Is Being Expanded

1. Soft cheeses
2. Rice
3. Lemons
4. Common tea
5. Common light bulbs
6. Popular radios

II. List of Consumer Goods for Which the Scope of Regulated Price-Setting Is Being Expanded

1. Standard underwear
2. Common toilet soap
3. Common toothpaste
4. Ordinary shaving cream
5. Razor blades

5) for imports for central investment -- for appropriate investors,

6) for imports designated to create state reserves.

§9. 1. Foreign exchange allowances from revenues of convertible currencies from services and commodities exports put into the base fob a Polish port or franco the Polish border as discussed in §66 of Council of Ministers Resolution No 243 dated 30 November 1981 are the source of financing imports for export-oriented production.

2. The basis for setting the rate of foreign exchange allowances is the ratio achieved in 1980 of the value of deliveries for export production from supply and coproduction imports to the export accomplished in terms of convertible currencies.

3. In the event of a substantial change in the ratio of imports to exports, the enterprise's targets for imports and exports for 1982 will be the basis for setting the rate of the allowance.

4. In justified instances the rate of the foreign exchange allowance may be increased to insure that the enterprise and its possible subsuppliers, if any, can import necessary materials, components, and spare parts needed to execute the export.

5. The maximum allowance rate may not exceed 50 percent of export revenue.

6. The Minister of Foreign Trade will establish the following, in cooperation with the Minister of Finance:

1) the manner of setting foreign exchange allowance rates,

2) the level of the foreign exchange allowance rate for an enterprise within 1 month after the enterprise's application has been received,

3) the level of the foreign exchange allowance rates for transport enterprises engaged in international shipping.

7. After setting the foreign exchange allowance rates in the manner specified in Paragraphs 1-6, the Commercial Bank in Warsaw will open and handle the enterprise's foreign exchange account in convertible currency agreed upon by the account owner.

8. Still valid is the regulation of §6 of Council of Ministers Resolution No 199 dated 11 September 1981 on funds to insure the expansion of hard coal extraction and the extraction of other raw materials from deep-pit mines.

§10.1. In cooperation with the Chairman of the State Price Commission, the Minister of Finance will establish, by 10 January 1982, the principles

for covering the effects of changes in producer prices in the enterprises whose production is included in the scheme of official prices.

2. As of 1 January 1982, the prices approved by the Chairman of the State Price Commission on the basis of Council of Ministers Resolution No 133, dated 12 July 1981, on the principles for setting and reforming sale prices on raw and other materials, and other means of production, and charges for power and the transport of commodities, will be used for goods included in the scheme of official prices.

3. In relation to the provisions of Council of Ministers Resolution No 243, dated 30 November 1981, the list of the means of consumption for which official or regulated prices are established is expanded to include the products specified in Appendix No 2 to the resolution.

§11. In cooperation with the Chairman of the State Price Commission, at the request of the interested ministers, the Minister of Finance will establish by 5 January 1982 the principles for keeping accounts of compensatory prices for enterprises which produce similar products for which official prices are established.

§12.1. The appropriate ministers, and voivodship governors and mayors of cities with the rank of voivodship provide for the execution of the tasks stemming from the resolution of the Council of State and the Council of Ministers dated 28 November 1980 on the general directions for the expansion of authority of local bodies of power and state administration.

2. The Minister of Administration, Local Economy, and Environmental Protection does the following:

1) in cooperation with interested ministers and voivodship governors (mayors of cities with the rank of voivodship), appoints groups to determine the principles for the local bodies of state administrations to assume the jurisdiction of company promotion bodies with respect to enterprises providing production service support for areas of administration which the local officials oversee,

2) by 28 February 1982 will present to the Economic Committee of the Council of Ministers proposals for solutions in matters specified in Point 1 for which positions have not been reached.

§13.1. In cooperation with interested ministers, the Chairman of the Council of Ministers Planning Commission will establish by 31 January 1982 a list of enterprises which run the risk of being shut down or of having their production permanently reduced as the result of the policy being conducted with regard to the distribution of production components in short supply.

2. Decisions concerning the halting or permanent reduction of enterprise operations are made at the request of the company promotion body, with consideration given to the position of the director of the enterprise.

3. The decisions discussed in Paragraph 2 are made by the interministry group appointed by the Chairman of the Council of Ministers Planning Commission.

4. In relation to the enterprises whose operations will be halted or permanently restricted, the application of the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, are suspended.

§14.1. In cooperation with the Ministers of Finance; Labor, Wages, and Social Affairs; and Material Economy, and the Chairman of the Polish National Bank, the Chairman of the Council of Ministers Planning Commission will draw up the principles for proceeding in relation to the enterprises specified in §13 and their workers, by 31 January 1982.

2. The principles discussed in Paragraph 1 should take into account matters concerning:

1) employee shifts,

2) the structuring of employee remuneration,

3) use of material reserves and production assets,

4) financing of the operation,

5) the undertaking of alternate production.

§15. In cooperation with the Chairman of the Council of Ministers Planning Commission and interested ministers, the Ministers of Finance and Labor, Wages, and Social Affairs can, in justified instances, adapt the regulations of Council of Ministers Resolution No 243, dated 30 November 1981, to the specific features of enterprise operations in the realms of the economy not included in §75 of that resolution but subject to complete militarization.

§16. The regulations of §82 of Council of Ministers Resolution No 243, dated 30 November 1981, as amended in keeping with the regulations of this resolution, apply to economic units operating according to the principles specified in Council of Ministers Resolution No 112, dated 8 June 1981, on the development of small-scale production (MONITOR POLSKI No 15, Item 120) and Council of Ministers Resolution No 114, dated 17 June 1981, on the self-financing system of state farms, state farm enterprises, and certain associations of the agriculture ministry (MONITOR POLSKI No 16, Item 126).

§17. The resolution goes into effect on the day of its promulgation, and is valid as of 1 January 1982.

Chairman of the Council of Ministers: Gen W. Jaruzelski

10790
CSO: 2600/375

ECONOMIST MOZEJKO LOOKS AT ROCK-BOTTOM EXPORT SITUATION

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82 p 11

[Article by Eugeniusz Mozejko: "View From the Exports Bottom"]

[Text] In its excerpt concerning foreign trade, the communique of the Central Statistical Office portrays the situation of the vicious circle "The production decline and the domestic market's needs have worked to limit exports, and the foreign-exchange revenues reduced thereby and the difficulties in obtaining credit have caused imports from the capitalist countries to decline," it says. As we know, this in turn has deepened the difficulties of Polish industry, which depends to a great extent on imports of supplies from the West. Under these conditions there was bound to be a dramatic breakdown in trade turnovers with the free-currency area. In current prices the value of our exports to the capitalist countries declined last year by more than 20 percent, while imports from these countries fell by more than 30 percent. In fixed prices the decline in exports and imports was still greater (exceeding 24 and 34 percent, respectively, and so the physical sizes of imports from capitalist countries were more than a third less than in 1980). We also noted a sharp decline in exports to the socialist countries, a decrease of more than 10 percent in current prices, 17 percent in fixed prices. The rise in imports from these countries of 2.3 percent to some extent saved the situation for us (we have in mind mainly the supply situation). This is an increase in terms of current prices, but in fixed prices our imports from the socialist countries were also below the previous year's level by 8.8 percent.

The economy's export inadequacy led to a further rise in the country's indebtedness. In relation to the capitalist countries the direct cause of this was the fact that the costs of servicing credit incurred earlier was very high, first of all. The deficit in trade exchange with the advanced capitalist countries was reduced at the cost of radical cuts in imports, cuts of nearly one-third to 1.3 billion foreign exchange zlotys, and in exchange with the developing countries we even managed to achieve a substantial balance in the black. Nonetheless, the Main Statistical Office (GUS) points out on the basis of its estimates, that in convertible

currencies indebtedness increased by the end of 1981 to about 24.4 billion dollars, which means by more than 3.5 billion dollars during the year. In connection with the worsening trade deficit with socialist countries, our indebtedness in these countries also increased very substantially, especially in the Soviet Union, which accounts for the lion's share of the great trade deficit. At the end of the year it amounted to 3.3 billion rubles and was more than double the previous year's figure.

The significance of these figures is clear. We can meet our economy's import needs only to the extent of our export capabilities. This is a fact which has often been repeated during the past few months and years, but although up until now there were constant possibilities for setting up certain additional credit deliveries, which after all concerned mainly food and fodder and did not undermine the stated fact that it was necessary to activate export, now the United States and some other countries have imposed sanctions and the question of altering the deadlines for repayment of the debts has been suspended, and those sources of financing which were far from adequate to cover free-currency imports have practically dried up.

In order to ease our industry's terrible supply situation, we are still trying to get CEMA partner countries to speed up deliveries of certain raw and other materials of particular importance to us within the framework of annually agreed-upon allotments. This may bring relief during the next few months, but it will reduce deliveries during the final months of this year, to say nothing of the fact that after all this pool of deliveries will not resolve all our supply problems. Therefore, these problems have become one of the major barriers to overcoming the declining trends in production. Our economy's export threshhold has increased, the target which must be met by mobilizing its own efforts to the maximum.

Unfortunately the data up until now on the results of last year's exports, as we learn from the GUS foreign trade department -- these data are still being checked and will be corrected in the MALY ROCZNIK STATYSTYCZNY [Concise Statistical Yearbook] being prepared for publication, but these corrections will not change the overall picture of the situation -- make difficult any clearer points. The decline has been noted in all commodity groups and in all sectors of industry. It was greatest in the case of exports of fuels and power, that is, in practical terms, coal. The value of fuel and power exports calculated in fixed prices was less than half that of 1980, and the value of such exports to the capitalist countries amounted to less than 41 percent of the previous year's exports. It is just in this area that we find concrete possibilities for improving the situation in connection with the extraction of coal, which has been increasing since the end of last year, making it possible to increase coal exports even during the first quarter of this year. Nonetheless, in order to be able to speak about making these growth trends permanent, we must work intensively on a new system of labor management in the mines. It is a question of insuring continuity

of extraction 6 days a week and the maintenance of the current extraction level of about 630,000 tons per day, while insuring that the miners have the right to a five-day workweek. Products of the food industry and of agriculture were among other commodity groups where the decline in exports last year reached dramatic proportions (35 to 40 percent). This is understandable in our food situation. It is understandable to a certain extent, but unfortunately we cannot stand in the long run the decline in exports of just about all industrial goods products, including those of engineering industry (a decline of more than 10 percent in fixed prices) and light industry (a decline of more than 21 percent). In both instances the decline in deliveries to the markets of the capitalist countries was somewhat smaller than that to the socialist countries.

Owing to the rise in export prices which averaged 6.7 percent, the export decline in the various groups in current prices was smaller. Nonetheless, in the case of fuel and power it was nearly 42 percent, and for products of the food industry it exceeded 33 percent, while for farm products it was more than 31 percent. The decline in exports of electric machine industry products amounted to 4.4 percent in current prices, while that for the chemical industry, the third most important export branch after the electric machine industry, and fuel and power, amounted to more than 6 percent. The figures for metallurgical products and products of light industry were, respectively, more than 21 percent and 12.3 percent. As can be seen from this, all basic export branches suffered on account of the upsets which occurred in labor continuity and difficulties with supply. The causes underlying this state of affairs were probably more numerous, but it would require deeper analysis going beyond just foreign trade to determine just what these causes were. A protective hand coming out of these difficulties was the construction carried out abroad, although in this case too there was a slight decline (of under 2 percent) in revenues from the installations turned over last year from such construction. Unfortunately this revenue represented only 5.2 percent of total exports, while the electric machine industry's share amounted to 48.5 percent, so that the relatively good results in exports of construction services could not have much influence on the overall export result.

As we look over the list of the major export items, it is difficult to really find cases of substantial export growth. In the metallurgical goods group we noted a decline in deliveries of hot rolled goods from nearly 1.8 million tons in 1980 to 1.47 million tons, a drop which reduced the value of such export by nearly 200 million foreign exchange zlotys. Copper exports declined by 300,000 tons, a whole 96 million foreign exchange zlotys, which reflected the substantial drop in the prices of this metal. Silver exports declined by 119 tons and about 600 million foreign exchange zlotys. In the electric machine industry group we noted a decline in the export value of farm machinery, textile machinery, food industry equipment, industrial automation, automobiles and trucks, and also a slight relative decline in deliveries of co-produced components for the automotive industry, ships (amounting to 35 million foreign exchange zlotys, and hence relatively slight), and

freight cars. This list could be made considerably longer. On the other hand, there was an increase of 50 million foreign exchange zlotys in the exports of internal combustion engines, of nearly 40 million zlotys in the export of computer equipment, and of 24 million foreign exchange zlotys in exports of trailers and semitrailers for trucks. This is just about all.

Sulfur exports declined by more than 100,000 tons, but in terms of value they increased by more than 250 million foreign exchange zlotys. Alongside this, in the chemical industry a decline was noted in the export of all major goods, that is, dyes and paints, laundry products, and perfume items, medicines, and so on. In light industry, on the other hand, there was a substantial decline in exports of clothing and footwear, totalling more than 340 million foreign exchange zlotys altogether.

Export of meat and pluck last year amounted to 41,000 tons and was half that of the previous year. Exports of meat products totalled 37,000 tons compared to 78,000 the previous year. In terms of value these two items together produced revenues totalling more than 670 million foreign exchange zlotys, compared to 1.2 billion in 1980.

To fill out this rather pessimistic picture we should add that last year there was a decline in Polish exports to the markets of all leading trade partners of our country: the Soviet Union, GDR, Czechoslovakia, and Hungary. The decline in exports to the USSR in current prices amounted to nearly 1.8 billion foreign exchange zlotys. The exception was Bulgaria, to which exports increased by more than 140 million foreign exchange zlotys over the previous year. There was a considerable decline in Polish exports to all Western European countries, especially to the FRG, France, Italy, Sweden, and Switzerland, and to a lesser extent to Great Britain, Austria, and Finland. Our position on the North American market fared somewhat better, relatively speaking. Last year exports to the United States still amounted to 1.1 billion foreign exchange zlotys, compared to 1.3 billion in 1980. On the other hand, we should fear that the present tense political situation could have an adverse impact on the development of trade exchange with that country and perhaps also with other Western countries, which will influence our exports directly or indirectly.

This sort of shock can and should be eased by the development of relations with the CEMA countries, but this will require redoubled export efforts on our part. This is the most important conclusion to be drawn from the preliminary analysis made of last year's results.

10790
CSO: 2600/395

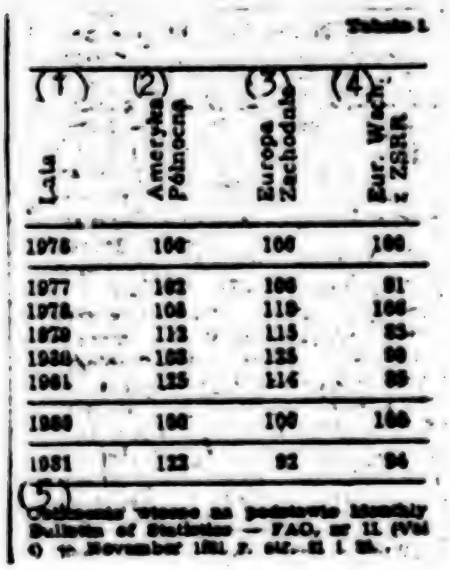
GRAIN AND FEED SITUATION AFFECTED BY INTERNATIONAL MARKET

Warsaw ZYCIE GOSPODARCZE In Polish No 5, 21 Feb 82 p 11

[Article by Zdzislaw Badowski: "Poland on the Grain and Feed Market"]

[Text] At the beginning of the 1980's, the conditions of grain and high protein feed imports were further aggravated. What contributed to this, among other things, were the long-standing production trends in three major regions of the world which constituted our basic supply markets. These trends are illustrated in Table 1.

Table 1. The production growth rate of grain (wheat, rice, corn, barley between 1976-1981.



(1) Lata	(2) Ameryka Północna	(3) Europa Zachodnia	(4) Eur. Wsch. z ZSRR
1976	100	100	100
1977	102	106	91
1978	108	119	106
1979	113	115	93
1980	108	125	98
1981	125	116	85
1980	100	100	100
1981	122	92	94

(5) Obliczenie własne na podstawie Monthly Bulletin of Statistics — FAO, nr 11 (Vol 4) z November 1981 r. str. 21 i 24.

Key:

1. Years
2. North America
3. Western Europe
4. Eastern Europe including the USSR
5. Personal calculations on the basis of the MONTHLY BULLETIN OF STATISTICS--FAO, No 11 (Vol 4)--November 1981 pp 21 and 24.

During the second half of the 1970's, a significant increase in grain production took place in North America. This trend was reinforced by strong and relatively constant harvest increases in Western Europe. During these same years, regression in grain and fodder supplies was taking place from the socialist countries' own production, taken as a whole. However, they are not a primary import market and do not play a major role on the international grain and feed market.

Nonetheless, the continuing development disproportion in the agriculture of these countries, based on the inability of crop production to keep pace with animal production, causes a strong demand for grain, especially feed grain.

Meanwhile, in 1980, the worldwide production of grain barely increased 0.48 percent while on one of the major export markets, namely that of North America, there occurred at this time a 28 million ton decline in the harvest yield which constituted more than 16 percent of the world export. Such vacillations in the production of the United States and Canada have a large influence on price structures on the international grain-feed market.

The structuring of price levels, at this time, of wheat, corn and barley in the United States and Canada is illustrated by Table 2.

Table 2. Monthly price changes on wheat, barley and corn in 1981 in the United States and Canada as compared to these same months in 1980 (in percentages).

Tabela 8

Rodzaje zbóż i kraj pochodzenia	Miesiące I	II	III	IV	V	VI	VII	VIII	IX	X
Pszenica										
Kanada[2]	120	118	118	128	118	118	105	98	94	97
USA[1]	108	106	106	113	106	106	98	96	96	98
Jęczmień[3]										
Kanada	121	130	132	132	123	108	100	98	83	81
Kukurydza USA										
I[4]	141	138	139	134	127	118	108	89	81	80
II[5]	138	138	134	124	116	111	102	90	82	80

Obliczenia własne na podstawie Monthly Bulletin of Statistics — FAO, November (Vol 4) 11, 1981 str. 26.

1) Pszenica amerykańska typu Hard Winter No 2 o standardowej zawartości protein, FOB Gulf.

2) Pszenica kanadyjska typu West. Red Spring No 1 na składzie w Thunder Bay.

3) Jęczmień typu Feed No 1 na składzie w Thunder Bay.

4) Kukurydza typu No 2 Yellow FOB Gulf.

5) Kukurydza typu No 2 i 3 Yellow porty śródlądowe CIF.

Key:

1. Months
2. Types of grain and country of origin
3. Wheat
4. Canada
5. Barley
6. Corn
7. Personal calculations based on the MONTHLY BULLETIN OF STATISTICS--FAO, November (Vol 4) 11, 1981 p 26.

1) American wheat, type "Hard Winter No 2" with the standard protein content, FOB [free on board] Gulf.

2) Canadian wheat, type "West, Red Spring No 1" in stock at Thunder Bay.

[continued]

[Table 2 continued]

3) Barley, type "Feed No 1" stored in Thunder Bay.
4) Corn, type "No 2 Yellow", FOB Gulf.
5) Corn, type "No 2" and "No 3 Yellow", North American ports CIF [Cost, insurance and freight].

The highest prices in the first half of 1981, which attained 140 and 136 percent of the 1980 level, were recorded respectively for American corn, type "No 2 Yellow" and for Canadian barley, type "Feed". A similar price trend outlined itself on the market of high protein fodder, particularly, oil-meal and oil cake from oilseeds. On the average, prices during the first half of 1981 were about 20 percent higher than during a similar period of 1980.

During the analyzed period, the rate of interest on grain-feed credits in the United States rose to over 20 percent in a year's time. The federal government of the United States guarantees a portion of the repayment of this interest (certain installments on these repayments were paid by the U.S. government in February of this year within the terms of accepted guarantees on credits given to Poland, this being erroneously commented by the American press as failure by the Polish government to meet its repayment obligations).

The growth trend of interest rates outlined itself already in 1980 and did not undergo any changes during nearly all of 1981. This is illustrated by the below given data:

Miesiące (1)	1980	1981
I	15,25	20,00
II	16,75	19,00
III	19,50	17,00
IV	18,50	18,00
V	14,00	20,50
VI	11,50	20,00
VII	11,00	20,50
VIII	11,50	20,50
IX	13,00	.
X	14,50	.
XI	17,75	.
XII	21,50	.

(2) Źródło: World Financial Market — Morgan Guaranty Trust Company of New York.

Key:
1. Months
2. Source: "World Financial Market"--Morgan Guaranty Trust Company of New York.

The interest rate at the 20.5 percent level, after adding the constant costs of insurance and bank fees, has a bearing on the price in the amount of over 30 percent of its level. Although transactional credit does not have a direct effect on the price amount, it does, however, have a significant effect on its level at the moment of negotiating an import transaction. Namely, the import terms of credit considerably worsen the commercial terms of a transaction. The main restrictions depend on tying purchases to the line of credit and to

the time-limit for using this credit, which deprives the purchaser of the freedom to take advantage of more favorable purchasing markets during more favorable times. In 1981, the demands of debtors regarding protection against the risk of insolvency grew as the repayment credibility of our country declined. This resulted in an indirect increase of insurance costs, relatively increased difficulties in the use of functioning lines of credit for the purchase of agricultural supplies.

Purchases for Poland were carried out under such conditions of the international, grain-feed market.

In 1981, further worsening, as compared to 1980, of unbalanced turnover of agricultural-food commodities with foreign countries occurred, which was unfavorable to Poland's general balance of trade. In 1981, the debit balance of this turnover amounted to about 2.5 billion dollars while in 1980, it was 2.0 billion dollars. During those years, the import of food including grain and feed reached respectively 3.3 and 3.2 billion dollars while export reached only 0.8 and 1.3 billion dollars.

Therefore, balance ratios within the group of agricultural-food commodities worsened similarly to the way agricultural-food export and import experienced a worsening in relation to Poland's total export and import. This is illustrated by Table 3.

Table 3. The share of agricultural-food export and import in Poland's total export and import between 1980-1981 (in percent) FOB export, CIF import.

(1) (2) (3) Tabela 3

Wyszczególnienie	Eksport 1980	Eksport 1981	Import 1980	Import 1981
Ogółem (4)	7,7	6,0	16,3	20,7
Kraje socjalistyczne (5)	2,9	2,8	4,4	4,9
Kraje kapitalistyczne (6)	13,7	11,8	30,4	47,5

(7) Obliczenia własne na podstawie wstępnych danych GUS.

Key:

1. Specification
2. Export
3. Import
4. Altogether
5. Socialist countries
6. Capitalist countries
7. Personal calculations on the basis of preliminary GUS [Central Office of Statistics] data

Therefore, in 1981, there occurred a further decline in the share of the agricultural-food export in export as a whole despite a drop of about 14 percent in Poland's total export. However, the import share in Poland's total import increased; in the import from capitalist countries, the share of agricultural-food commodities increased to about half of the entire import from that payments area.

as in previous years, grain and feed occupied the largest position in the agricultural-food import. Their purchase cost amounted to 1.8 billion dollars while in share the agricultural-food import was about 55 percent.

The structure of grain deliveries was similar to that of previous years. Wheat deliveries (3.5 million tons) and those of corn (2.5 million tons) were dominant in the overall amount of 7.2 million tons. Deliveries of barley decreased considerably to 0.9 million tons (compare Table 4). The data contained in Table 4 indicate a general drop of 6 percent in the volume of grain and feed imports in the compared years of 1980-1981. However, this did not have a parallel effect on the value of purchases. It [value] rose by about 3 percent, mainly due to the average increase of prices on grain as well as on oil-meal and oil cake from oilseeds during the entire year by about 20 percent (compare Table 2).

The comparative analysis of prices of realization in import with a price quotation trend must be corrected with several vital elements from the area of trade policies and principles of market functioning. In general, purchase securement prices drop or increase more slowly in relation to price quotations, mainly because of outpacing the purchase deadline as compared to the price quotation deadline. Further worsening of trade conditions on transactions carried out on the basis of credit also took place. Finally, the makeup of purchases changed as well (relatively, less inexpensive barley was contracted for). All of these factors had a direct influence on the conditions of import securement in 1981. However, not until 1982 did a radical and sudden worsening of grain and fodder import conditions occur from the major American supply market, following President Reagan's decisions in the matter of economic sanctions used against Poland and the Soviet Union as a reprisal for the action taken by the PRL [Polish People's Republic] government on 13 December. The principal element of these sanctions was the refusal to continue grain deliveries on the basis of transactional credits from the Commodity Credit Corporation--CCC. This is not, to be sure, a move synonymous with an embargo on grain and feed deliveries to Poland but, in reality, in view of the well-known payments difficulties of our country, cash purchases are ruled out.

The use of food deliveries as a political weapon was possible because, in spite of warnings made by many, prominent economists, we continued the policy of supplementing grain shortages with imports instead of increasing our own crop production.

However, it is impossible to execute a complete turnabout, overnight, from the policy which was being carried out until now in the area of supplying people with food, which came in part from imports. Our remaining supply markets are our hitherto existing grain and feed suppliers such as Canada, Brazil, countries of Western Europe, which are continuing deliveries on the basis of transactional credits. We are counting on the possibility of securing supplies of bread grain for the country, however, problems will occur in the area of feed supplies.

This will result in the necessity of exploiting our own feed base to full advantage, lowering the consumption of protein feed per unit of animal production as well as shifting it to less grain consuming technology.

Table 4. Grain and protein-rich feed imports to Poland between 1980-81

Tabela 6

(4) Wyszczególnienie	(1) Ilość w tys. ton			(2) Wartość w mln dol.			(3) Cena w dol. na tonę CIF		
	1980	1981	1980=100	1980	1981	1980=100	1980	1981	1980=100
Zboża i pasze wysokobiałkowe łącznie (5)	8408	8888	94	1782	1890	106			
Zboża (łącznie z kukurydzą) (6)	7718	7318	94	1287	1408	101	- 179	212	119
Pasze wysokobiałkowe (7)	1445	1574	98	395	430	109			
w tym: (8)									
śruty i makuchy nasion oleistych	1260	1350	89	382	414	118	220	368	119
mączka rybna (9)	85	24	28	43	14	41	565	570	106

(10) Obliczenia własne na podstawie Raportu Rządowego o stanie gospodarki, informacji statystycznych GUS i PHZ „Rolimpex".

Key:

1. Amount in thousands of tons
2. Value in millions of dollars
3. Price in dollars per CIF ton
4. Specification
5. Protein-rich grain and feed together
6. Grain (including corn)
7. Protein-rich feed
8. Including: oil-meal and oil cake from oilseeds
9. Fish meal
10. Personal calculations on the basis of the "Government Report" [PRL] on the state of the economy, statistical information from GUS and PHZ [Foreign Trade Enterprise] "Rolimpex".

9853
CSO: 2600/350

FOOD INDUSTRY CHIEF VIEWS DEVELOPMENTS PLANNED FOR 1982

Bucharest SCINTEIA in Romanian 14 Feb 82 pp 1, 2

[Interview with Marin Capisizu, minister secretary of state and chief of the Department of the Food Industry, by Maria Baboian: "The Correlation of Prices Stimulates Food Industry Units to Produce More and Better"; date and place not specified]

[Text] [Question] The rebasing and correlation of agricultural product prices on economic principles and the increase in retail prices, as well as the increases in salaries and state entitlements for children and retired persons, represent, as is known, a group of measures designed to directly improve the populace's supply situation. The food industry is one of the branches of the economy directly involved in the general context of these measures. What are the new main elements that are influencing the development of the food industry?

[Answer] In the words recently spoken by the secretary general of the party, we are stressing that the measures to stimulate agricultural production correspond to an objective necessity. These measures, comrade Nicolae Ceausescu pointed out, constitute a necessity both for the implementation of the new economic mechanism, self-management, self-administration and self-supply under good conditions and for the achievement of a more equitable balance between industry and agriculture. These measures constitute an objective necessity. Any attempt to ignore them can only but lead to serious damage in all economic and social development and in the general improvement of the people's level of civilization.

[Question] Which factors, especially during the most recent period, are influencing the efficiency of the activities in the food industry, as a branch directly linked to agriculture?

[Answer] It is a well-known fact that in the food industry the percentage of the raw materials that go into the processing process represent 80 to 90 percent of the production costs. As has been pointed out, by increasing by 25 billion lei the level of planned production for 1982, the prices of agricultural products - in other words, the prices at which the raw materials will be obtained that go into the food products - also, naturally, increase production costs. At the same time, as was also analyzed in the speech by the

secretary general, the increase in prices on the worldwide level is also felt: prices have also increased for agricultural machinery, tractors, a series of installations and fuels; to a certain degree, there have also been increases in labor costs and transportation and commercial costs, which are included in the sums spent to produce products and to bring them to the consumer. Similarly, costs are influenced by the substantial increases in salaries for the workers in the units in this sector. The direct effect of all these increases is easy to understand: the production of foodstuffs with higher production costs.

In a practical sense, for this branch overall the production prices have increased considerably over the last 5 years while, every citizen knows, for a series of foodstuffs - first of all, sugar, cooking oil and rice - the retail prices have remained unchanged for no less than 30 years. It seems, therefore, to be a natural, objective necessity to achieve a more judicious correlation between costs, production prices and retail sale prices for a series of goods produced by the food industry in order to ensure an appropriate incentive for the production of all the varieties and products that the people need.

[Question] As can be noted in the measures adopted by the party and state, the food industry must take an important step on the path of satisfying the requirements for a rational food supply. What will be the contribution of the food industry sector in this direction?

[Answer] Today, we have a food industry capable of ensuring a high degree of use of agricultural raw materials in a broad variety of products and capable of satisfying the scientifically substantiated consumer needs of the entire populace. As the secretary general of the party pointed out, in Romania a daily consumption of over 3,000 calories is ensured at the present time, a level comparable to that achieved in many countries that are developed from an economic point of view. By structure, however, certain improvements are necessary in the sense of reducing the calories and protein obtained from grains and substantially increasing supplies of products that have an increased content of high protein. You know that differentiate consumption standards are being drawn up that are designed to ensure a rational food consumption. Along this line, 1982 will note the creation of certain types of products with a balanced content of proteins, lipides, glucides, vitamins and other mineral elements that will permit a better satisfaction of the people's scientifically determined nutritional requirements. At the same time, through the items that are produced we will pursue the reduction in the effort needed to prepare foods in the home, with special attention going to dietetic products and those for children. Certainly, the simple creation of names for certain products does not say too much. I feel, however, that the new products that have been created or are in the process will respond to the consumers' needs through their quality and their manner of presentation. Paralleling the diversification of production and the improvement of its quality, we will pursue the improvement and shortening of the cycle for new types of products from the research-approval stage up to the introduction into current production. In this regard, we will cooperate more closely with all the parties that are involved in the shortening of this cycle - which is sometimes still

very long - and, first of all, with the organs of the Ministry of Domestic Trade and the State Committee for Prices. Similarly, we will try to see that the goods that are produced can be found on the market, with this being a basic condition for achieving a rational and balanced food consumption.

[Question] How will the objectives established in the tasks of the food industry units be fulfilled this year?

[Answer] In order to give a succinct picture of the development that the food industry must attain in 1982, I can point out that that goods production will have to increase by 5.6 percent, net production by 8.5 percent and deliveries to the markets by 9 percent, compared to last year. Significant increases will also be recorded in the production of meat, milk, fish, sugar, pasta and so forth. In order to achieve this, special and priority programs were drawn up for each sub-branch of the food industry in which the ways and means of action are outlined.

The attainment of the established levels of production is based upon the continuing development of the technical-material base. In 1982, we must put into operation 119 new facilities for production, with the allocated investment funds being 35 percent greater than in 1981. On the basis of the basic guidelines of the program regarding self-management and territorial self-supply, we will also continue to build small foodstuff production units designed to ensure the better, efficient use of agricultural raw materials and to improve the local supply of foodstuffs. Among these, I can note the start of construction on 11 sugar factories with a capacity to process 1,000 tons of sugar beets in 24 hours and the start-up of 10 milling-bakery units, 24 milk industrialization units and 30 meat processing units.

It is, however, in itself understood that we must ensure a base of raw materials of animal and vegetal origins that corresponds both from a qualitative and and quantitative point of view. The personal directives of comrade secretary general Nicolae Ceausescu - restressed right now - establish important responsibilities for the food indsutry with regards to the achievement of agricultural production. Thus, beginning this year all sectors of the food industry must directly participate, with specific responsibilities, in the achievement of agricultural production. At the same time, in accordance with the program of territorial self-supply the food industry will improve its activities in its own sector of contracting and acquisitions in order to be able to accept and use available agricultural raw materials. In the milk industry, for example, we will organize regions for processing cow and goat milk from the people's farms, establishing collection points in all locations where their are large numbers of cows and goats. In the meat industry, the activities for contracting for animals will be organized in town centers. In the same way, we will go further with the experience from 1981 regarding attracting certain raw materials made on the people's farms in order to process them in the service industry. Thus, we will greatly improve supplies of sugar, oil and grain products to these producers.

[Question] Understanding that the computated correlation of sales prices with the acquisition prices and other material costs will have a stimulating effect for the food industry, in what direction will you work in the future?

[Answer] The food industry, like all the sectors of the economy, has the obligation to work firmly and steadfastly to recover in 1982 at least 30 percent of the amount of compensation that has been given to it. To this end, in each of the units in our sector we are establishing, right now, through the broad consultations with the workers' collectives programs for the additional reduction of production costs, especially by the more accentuated reduction in material and energy consumption, the growth of labor productivity and the most efficient use of raw materials and the entire useful content of these materials. A special concern is represented by increasing the contribution of scientific research in obtaining new foodstuffs with a higher nutritional value and in applying advanced technologies on an ever broader scale. Similarly, we will take firm measures to strengthen order and discipline in all production units, keeping in mind that very many of the food industry units are working on three shifts.

In closing, I wish to stress the firm decision of the workers' collectives in our units not to spare any effort in the carrying out of the best possible activities. The correlation of retail sale prices with material production costs corresponds to this desire and stimulates this process.

8724
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PROBLEM OF DECLINING FOREIGN INVESTMENT IN YUGOSLAVIA

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Feb 82 p 29

[Article by Bince Bain]

[Text] The level of foreign investment in Yugoslavia has declined markedly since the approval of the Law on Foreign Investments in 1978. Serious financial restrictions are involved, such as the high obligatory minimum percentage of foreign participation in the cost of a project, and the interpretation of the lawgiver that new joint investments must be financed solely through invested capital, and not partly through credits. These obstacles are already well-known, and recently there have been proposals that these regulations be moderated in order to attract more foreign investments in such projects. The positive effect, however, will only be symbolic until a more flexible position is taken regarding regulations on convertible foreign exchange receipts that relate to joint investments in production industries.

By tradition, joint undertakings have had to cover part of their foreign exchange needs themselves. Ten years ago, that meant exporting to foreign exchange markets to cover obligations such as interest and capital payments for foreign credits, royalties, part of the net income due foreign partners, etc. In recent years it has also been necessary to provide for imported raw materials from the West through exports that earn foreign exchange. Most projects also have a definite level of import substitution, and therefore, part of this obligation is covered by pooling foreign exchange between the joint investors and the purchasers, although this principle functions better in theory than in practice.

All potential investors have encountered these foreign exchange problems for some time. What is new and particularly disturbing is the trend toward settling foreign exchange obligations outside of enterprises, the so-called general social obligations. The momentary policy at the republic and province level is to determine a percentage of foreign exchange income that must be set aside for importing such products as petroleum and other priority goods for which there is no direct source of financing under the present circumstances. The percentage of these extra designated funds is determined on an ad hoc basis.

Obviously, all foreign exchange obligations should be financed from somewhere. Considering the fact that Yugoslavia quite justifiably wants to reduce its foreign trade deficit, it is clear that the main burden must fall on production and industry, and joint ventures cannot expect to be excluded completely from this process. However, one should look more realistically at the essence of most joint ventures when formulating foreign exchange policy in this area.

A joint venture usually includes the transfer of the foreign partner's technology (and his contribution is fully or partially capitalized as compensation) for the production of goods that either are not found in domestic markets, or which do not satisfy the necessary standards in terms of economy, quality and reliability. Foreign investments provide the domestic partner with greater and longer-term ties with the foreign partner for the project than would be the case with a usual agreement on granting a license and transferring technology. Foreign investments will also contribute to establishing the products of a joint venture on world markets. Therefore, projects will be implemented in those areas where up until now it was impossible for Yugoslavia to compete on the world market. Here we must give special emphasis to two limiting factors for putting these approaches into action. First, we will continue to rely to a certain extent on raw materials and components that will be imported for hard currency because of the lack, or poor quality of, these items in non-convertible regions. Second, it is difficult to compete in foreign markets, regardless of the presence of the foreign partner in the project. The project's advantages in stimulating exports and in the relatively low level of personal income in Yugoslavia will probably be lost via the relatively low domestic labor productivity levels and high general expenses and customs duties. More precisely, from the standpoint of foreign exchange markets, the income realized will probably not bring a satisfactory return on capital investment for either the domestic or the foreign partner. Thus the amount of sales in foreign markets will have a deciding influence on the financial prospects of projects, and in that regard the smaller that amount is, the better they will be [sic].

So far, practice has shown that many joint ventures could overcome such difficulties by directing a significant part of their sales to non-convertible markets, chiefly in East Europe. These clearing markets have offered marked security, better income, and from the national standpoint they have enabled Yugoslavia to use barter arrangements to import goods for which otherwise it would have to pay foreign exchange. Despite the advantages for the balance of payments, however, no concessions are being approved relative to convertible currencies as opposed to non-convertible currencies in exports, even though that practice was used in the past.

As far as joint ventures in production industries, the prospects are truly favorable. Despite the unattractive nature of exports to convertible markets, under the new regulations joint ventures must in large part be directed at these markets in order to cover all domestic needs and assure a significant remainder for external needs, while at the same time from that viewpoint there is nothing to be gained from sales in non-convertible markets. The degree to which that direction is unrealistic is shown by the following data. In the first 8 months of 1981, imports in foreign exchange for all of

Yugoslavia were covered only 35 percent by exports for foreign exchange. In relation to this total national result, it is simply unacceptable for joint ventures to cover considerably more than 100 percent of their needs. It is hardly likely that a foreign investor would agree to such a proposal.

There is one other difficulty. The percentage to be set aside from foreign exchange earnings for general social purposes is unusually changeable, and depends on ad hoc decisions of republic agencies that are responsible for matters of foreign exchange. Enterprises cannot with certainty plan their marketing, for when the percentage set aside for general social needs is increased, the enterprise has to interrupt its contracted deliveries to domestic and clearing account markets in order to sell in the hard currency area. The joint venture suffers in two ways. It risks losing business in the non-convertible area because of its unreliability as a supplier, and it will be forced to do business at much worse prices to assure business over the short term in convertible markets, with strikingly greater competition.

In order to give support to joint ventures, it is essential to stimulate investments, and not the reverse. The following measures would be a step forward in that direction. First, the agreement on joint investment should contain a definite percentage amount to which domestic foreign exchange needs of joint undertakings should be financed by their own foreign exchange income, up to a maximum of 100 percent coverage; in many cases that is too ambitious a goal. Second, joint ventures should be expressly exempted from external hard currency obligations, such as the current need for contributing to general social needs. Third, these conditions should be confirmed on a long-term basis, so that the foreign exchange balance of joint ventures can be exempted from regulations of republic and province agencies for foreign exchange matters.

In principle, that would not be the only instance of concessions. Agreements on long-term production cooperation that regulate a completely different type of activity between Yugoslav and foreign companies that are involved in producing components for the same product are based on a direct 1 : 1 barter arrangement, and are exempted from the regulations that apply to foreign trade. It seem that there are few reasons not to apply similar conditions to joint ventures. Otherwise, the present unwillingness of foreign investors to undertake new investments in Yugoslavia will probably last for quite some time.

12131
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ROUNDTABLE FOCUSES ON PLIGHT OF SMALL TRADESMEN

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[Report of discussion with public figures and tradesmen conducted by ILUSTROVANA POLITIKA editor Predrag Aleksijevic and Ljubomir Smiljanic, chief editor of MALA PRIVREDA JUGOSLAVIJE (Yugoslav Small Businesses)]

[Text] In the development of trades and services we are still far from achieving our real potential, chiefly because of the rainbow of regulations and the lack of understanding of some bureaucratic forces in the opstinas. This judgement emerged from the roundtable discussion held by ILUSTROVANA POLITIKA as the paper's guests talked about prospects for new jobs.

ILUSTROVANA POLITIKA and the specialized journal MALA PRIVREDA JUGOSLAVIJE (Yugoslav Small Businesses) organized a discussion with people who in various ways are involved in so-called small trade. The discussion focused on possible employment in this sector of the economy. Discussants were Jovan Krkobabic, secretary of the League for Pension and Invalid Insurance of Independent Trades of Serbia, Dragoljub Boskovic, director of the Republic Income Office, Dragoljub Vujanic, a chief official in the Secretariat for the Economy of the Belgrade Municipal Assembly, Slavoljub Fatic, a member of the commercial section at the Yugoslav Export and Credit Bank, Elvira Mandic, special advisor for small businesses at the Yugoslav Economic Chamber, Dusan Knezevic, assistant to the president of the Federal Committee for Labor and Social Security, Milinko Milivojevic, an independent tradesman, a watchmaker and goldsmith in Zeleznik, Dragoljub Josifovic, assistant to the director of the Federal Bureau for Employment, Miroslav Cvetkovic, director of the contracting organization "Electromiki" of Belgrade, Milojko Divac, assistant to the republic secretary for the Economy of Serbia, and the host, Mirko Bojic, chief editor of ILUSTROVANA POLITIKA. The discussion was led by editor Predrag Aleksijevic and the chief editor of MALA PRIVREDA, Ljubomir Smiljanic.

Where to Invest Money

All studies about what Yugoslavs should do after returning from temporary employment abroad show that the great majority plan to find work in small business. Many want to open trade shops, services, transportation businesses or food shops. Many want to direct their money and knowledge in those directions. However, they know less about the possibilities of organizing and

and associating into trade cooperatives as contracting organizations of associated labor. They know essentially nothing about forming associations of personal and pooled labor.

[Dusan Knezevic] At the Federal Committee for Labor, we have already been discussing all of this. There are many papers, analyses, practically doctoral dissertations on the topic. Yet something is not harmonious in this area. We have reached the conclusion that the Yugoslav public is not sufficiently informed about the life and work of our workers abroad, for somehow we are always inclined to write about their large incomes, frequently singling out isolated incidents where people have earned hundreds of millions. Yet we forget the little man, the worker who with great toil, under difficult conditions, working up to 16 hours daily, has saved a few dinars in order to come home and start working in a job he has chosen. Should he build a house, buy a car, open a shop . . . ?

I also think that the workers are not well enough acquainted with measures being undertaken in our country. To work 15 years abroad and with difficulty earn a few dinars, but not to know what to invest in after returning home, this is a great concern that we must resolve in an effective and human way. Yet there is no magic wand that will solve everything. According to some strict criteria, we have some 600,000 unemployed in the country, of which 70 percent are young. Abroad, in the western European countries alone, there are fully 670,000 Yugoslav workers. Among them are about 115,000 from the village, farm workers, while in the country there are nearly 670,000 unworked hectares of arable land, and about 1,300,000 elderly households.

Because of all this, and many other important details, it is believed that small businesses offer our great chance. Yet when we speak of employment, then we can hardly brag. The plan called for 5.1 percent to be employed, but from 1976 to 1980 we only succeeded in employing 2.2 percent. That means that we are still only theoretically dealing with conclusions and decisions. In 1976 we advanced total trade employment by 0.8 percent, the next year by 1.9 percent, in 1978 by 2.1 percent, and in 1980 by 3.6 percent. These are just little steps that cannot satisfy us. In 1975 we had 135,000 trade shops, but in 1979 there were fewer, only 127,000. Even this number of small businesses employs very few people. There is hardly .5 employee per shop other than the proprietor. That causes concern.

[Question] Yet we still have quite a few "freelance" tradesmen?

[Dusan Knezevic] That is true, but only where the work of true master craftsmen is not well organized. Well-organized small business is our great chance, but we must talk about its three sectors: the small business in associated labor, the contracting organization, and the trade cooperative. The returning worker usually asks what concretely he can do and what money he should invest. The opstinas, local communities, organizations of associated labor and many other institutions should provide accurate and positive answers to such questions. We have long known that we are not making use of all the possibilities of small business. Even today, there are opstina presidents who will say: "As long as I am president, on my terrain there will be no personal enrichment, and no private sector."

There are only 96 contracting organizations, which is unbelieveable, even though we know that our workers are ready to open shops either as contractors or in providing services. Yet everyone points to the obstacles they encounter in the opstinas as the difficulty. It is true that our regulations are complicated, even though our comrades in Serbia are striving to approve something finally that will simplify the procedure involved in creating trade shops and recognizing specialized training, so that we can accept the qualifications of a man who has worked in a specialty for 10-12 years. Some returnees have complained that they were asked to pay as much as 10,000 marks and more for a permit to open a shop.

[Dragoljub Boskovic] That is a classic criminal act. It happens, but it isn't the rule.

Some Opstinas Are Silent

[Dusan Knezevic] That is correct, but we should also fight against the bad exceptions. We should talk about the working space that is being sold through the Federal Executive Council for 7, 8, and even 9 million dinars. The administrative offices are modern, but look at the working space that is offered to craftsmen, and look at how expensive it is. On the other hand, the Belgrade suburbs are without needed services. If the opstinas presidents agree, then the urban planners block them...

[Jovan Krkobabic] I think that the opstina development plans and the intermediate plans do not contain anything that guarantees us that in the foreseeable future we will employ a certain number of workers in small businesses. As an example, let's say that the development plan for the Tutin opstina, or the Zvezdara opstina, shows a shortage of a certain number of craft shops of particular types. When we have such a program, then we will have something to offer people when they return from abroad. As far as such announcements go, it would not be bad, for example, to have posters at the Belgrade train station showing which opstinas have programs calling for certain numbers of independent tradesmen and shops. A poster with similar announcements could also be posted in the FRG or in any other country where our people work. The information should also appear in many of our newspapers. Then a person would know what kind of equipment to buy, and what to do to prepare himself. It is sad that neither the opstina or the local community knows what it needs, and we must know that. Basic and serious analyses are essential. Let us say that we want to develop agriculture, to mechanize it. So the farmer buys a tractor and various accessory machinery, but there is no one to repair or maintain it. A well-equipped service station, an independent shop would be so necessary in such a village or local community. Returnees from abroad and the domestic unemployed need to be offered real programs that show what is needed, where it is needed and in what amounts. Naturally, that is expected from the opstina first. If all of these things are done, we will succeed in small businesses.

The League of Pension and Invalid Insurance of Workers and Citizens, who perform their work using private capital, has made several significant attempts to expand the circle of insured and to make it possible for them to provide

themselves with the obligatory pension and invalid insurance when they open shops. Beginning with 1 January 1982, the League will insure truckers and taxi operators as well as independent craftsmen and providers of services. Also, foodshop operators and other merchants, as well as people in similar trades, are now covered. Thus the insurance has been expanded to all those who previously were not insured. This will make it possible for returnees from abroad to provide themselves with social insurance as workers in associated labor. At the same time, all those who left private employment in Serbia to go abroad and are doing the same work in foreign countries will now be provided with voluntary insurance through the League if they wish. Frequently, people return from abroad when they are incapable of work, and here after a few years they become invalids and retire. That means that the society must take that into consideration as well.

[Question] It would be interesting to see what brighter prospects returnees can expect to see.

[Elvira Mandic] Both our workers and all of us here in the country would like to have answers to that question, but agreements require people in the opstinas who will work on that. Another factor is that there are eight labor regulations in six republics and two provinces, and finally, every city has its own conditions as well. In my opinion, that means that if ILUSTROVANA POLITIKA wants to inform the greatest number of workers about the situation, it would have to decide on a series of articles or "roundtables."

Seen as a whole, with very few exceptions we have gotten the impression that we are taking a "campaign" approach and talking in general terms about returnees. This usually happens during winter vacation, when they come to the country. At that time, information is quite general, and does not offer any true possibilities. It is a similar situation with radio broadcasts, where workers ask many questions yet nevertheless remain insufficiently informed. Yet despite everything, I think there is a favorable climate here for the development of small businesses, but the worker has a hard time deciding to return and open a craft shop because he lacks sufficiently clear information on such possibilities. Such information is hard for our domestic workers to get. The culprit is the incomplete development program, which is our great shortcoming. Certainly, now all the domestic regions are provided with social agreements on the development of small businesses, yet all of that is not enough. The least information is that available about working space. Some opstinas have very modest plans. In comparison to the total number, there are about 600 opstinas, and that is a drop in the sea. It would be possible to provide a network of new service shops and a part of the production facilities, so that returnees themselves could determine that they could sell their products. But illegal work provides constant competition, and therefore it is quite difficult to maintain a service shop...

The main part of the development of small business production should be assigned to larger production and commercial labor organizations. We believe that every larger production organization should have its plan for the development of small businesses. Some already do that, but everything now being done is insufficient. I would assert that our opportunities in

organizing private production work are the least utilized, yet they offer the greatest possibilities for employment.

[Milinko Milivojevic] I am a watchmaker and goldsmith. I have a shop in Zeleznik, and I am also involved in social work. A few years ago, representatives of the craftsmen visited comrade Dragoslav Markovic while he was president of the Serbian Presidium. I was one of them. At the time, comrade Markovic said that the Constitution and congress documents offered the possibility of developing small businesses and independent activities, but accompanying regulations could not be coordinated with those basic acts. Today, 4 years later, the situation has not changed. The pains only begin when a man opens a shop. I think that an independent craftsman should develop himself, and when he becomes strong he should enter a contracting organization, and later it should grow into an organization of associated labor. But under the present tax policy conditions, which are antiquated and absurd, the status is poor. I was the president of the Association of Independent Tradesmen of a region, and I saw how the tax collectors hustled the craftsmen, fearing that they would become rich. That distrust is the primary stumbling block. I would recommend some solutions. For example, right now working space is expensive. It doesn't matter whether the craftsman owns his own premises or leases them. The obligations are great: he must pay for power and heating. On the other hand, there is the question of the number of workers. I have machines, and I could employ five workers, and I also have the opportunity, but under these conditions I would not do it. Why not? I would work a lot, but I wouldn't receive anything. I would have to pay a progressive tax for each employee. If you earn 40 million dinars, they take 30 million from you. You are left only enough for simple reproduction, but not for further development.

[Question] Small business is truly the golden hen that lays the egg without anyone feeding it. What do you advise craftsmen to do?

Tax Based on Calculations

[Milinko Milivojevic] As an independent craftsman, I would advise our tax officials to change their policy. I would suggest that they assess a lump sum tax based on the shop itself. Then the tax collectors would not have to hustle to catch violators, and the craftsmen would not hide his trade. On the other hand, the person who works more will earn more, and will invest more in development. My goal is to have five workers, to increase that number tomorrow, to create a contracting organization and have it later develop into an organization of associated labor. I advise successful craftsmen, especially returnees, to cooperate with social organizations, because they can equip their shops well. And then the entire income would be registered in their accounts, and it could be taxed on that basis. Nevertheless, until conditions are changed, I do not have a great deal of advice to offer!

[Miroslav Cvetkovic] I have experienced everything that has been discussed here "on my own skin," like many other craftsmen. I was one of them, and later I established a contracting organization. I would not agree with the generalizations when we talk about swindlers in associated labor. The great

majority are honest men. Concerning the employment of returnees, there are possibilities for that. The service trades offer a large reserve, but it is compromised by the freelance craftsmen, if I can express it that way. We are also hampered to a degree by tax policy. Yet some things are changing. Working space, however, continues to be a great problem. People who work well do not complain about the taxes, but rather, about the distrust of the tax officials. A man wants to know in advance, how much tax he will have to pay for a certain amount of trade.

[Question] When did you establish a contracting organization?

[Cvetkovic] "Elektromiki" is the oldest in Belgrade, and we founded it three and one half years ago.

[Question] How many people do you employ now, and what is the personal income?

[Cvetkovic] We have 27 employees, and the average income is 750,000 old dinars. There are three returnees from abroad among us. So the devil is never as black as he appears to be. As far as the returnees are concerned, I think that they can freely participate with capital and open craft shops in favorable activities. Some such enterprises are working non-metals, glass and porcelain, and production of spare parts. All of these crafts require highly trained workers.

[Question] How can a craftsman decide to produce spare parts without reliance on the factory that will buy them from him?

[Cvetkovic] Such reliance is presumed. As I see it, our economy has great needs for services. Perhaps that is where the journal MALA PRIVREDA can help by providing information. That means, people need to be informed, but there is plenty of work to be done. Our organization is involved in producing teaching devices and school equipment, and it has great possibilities for export.

[Question] You said that the average personal income by 750,000 old dinars. Do you know that in Belgrade, the average income in associated labor is 980,000 old dinars?

[Cvetkovic] But what you do not know is that we have invested about 350 million dinars in development. We have developed a production program that would cost any other factory several billion. There is another possibility for employing specialists. Small chemical and technological laboratories, employing a single engineer for production, are needed. They would work with let's say, a few tons of some substance. A factory cannot do that, but a private specialist could. In that way we would bring back many specialists to the country in whom we have great investments for schooling. Another thing would be small farms. That would mean estates on which even unqualified labor could be employed.

[Jovan Krkobabic] There are returnees who have opened craft shops, and there are others. If I were a craftsman who had worked abroad temporarily, and I

was returning here with money or equipment, I would go to the opstina or the local community office in which I intended to live, and I would present my capabilities to them and ask their conditions for opening my own shop. I think that understanding could be found in that way, even though it would not be enough and it would not be as fast as we want, because the opstinas are not prepared sufficiently. But it cannot be said that the doors are closed. Today there was talk of 30 premises in Krusevac in 1982. They will be assigned to returnees or other craftsmen. Yet there is still the misunderstanding when, let's say, 50 craftsmen want to perform the same trade on the same street.

[Dragoljub Boskovic] I would stress one important factor: the determination of our republic that people should come and open craft shops. It says: "You won't be hampered, but rather, supported. The tax system contributes to that. Several years ago we introduced proportional taxing. When personal work and independent craftsmen are involved, the tax system anticipates that. Therefore, taxation is not progressive. Changes in the base do not bring changes in the percentage of tax. This confirms the constitutional provision according to which everyone should pay tax according to his economic strength. That means, what he earns will not be taxed out of porportion, as total income is taxed, but rather, proportionally. Next, during his first year of operations in Serbia, a craftsman is totally exempt from taxes. Many opstinas have extended this to the second year as well. In some places the tax is reduced by 50 percent, in others by 80 percent, in yet others it is cut by 30 percent and extended to the third year. In most opstinas, truckers and innkeepers who are first beginning their work are exempted from taxes. Another thing is that all operating expenses are eliminated from the taxing basis, including the cost of specialized literature, travel to fairs, etc.

It is important that a craftsman know his obligations and the concessions granted by the taxing system. The tax books provide for the most honest relationship between the state, the tax official and the taxpayer, and avoid any chicanery. In the Yugoslav tax record system, every semiliterate man can find his way. For example, in Zemun there are no misunderstandings between the craftsman and the tax official. They keep their own tax records, figure their own taxes, and trust is guaranteed. I suggest that those who return to the country should first write to the proper opstina; I am sure they will get a correct response. They should ask the economic department about the procedure for opening a craft shop.

More Favorable Credit Rules

[Question] How can the tax system encourage a worker to return from abroad and become involved in one of these activities?

[Krkobabic] It will support him by exempting him from taxes for the first year. Otherwise, total taxes amount to about 20 percent, while 80 percent are contributions. We have protected all taxpayers of the social sector. The tax rate cannot change during the year. That is very [illegible] because previously there were abuses during the year, with retroactive taxation.

[Question] And why do shops not have five workers each?

[Krkobabic] I think that we gave a partial answer to that question. In any case, the system needs to be improved in that regard.

[Dragoljub Josifovic] The difficulty is that few workers have attained the qualifications abroad in order to independently carry out specific activities at home. Small businesses in most opstinas are regulated legally, and their development is confirmed, but there are difficulties that retard that development.

The shortage in working space is the chief brake. Therefore, it is important to accommodate the finance and credit systems, for some returnees and other citizens do not have enough money to open a shop, or acquire an apartment. Something must also be done about customs duties. Customs privileges for returnees were established in 1970, and have not been changed since then. That means, they are not supportive. That is the case with imports of equipment and production materials. There are steadily few examples of correct behavior toward returnees.

It is not enough that we have legally established the directions and possibilities for developing small businesses, and it is not enough that workers abroad save and that they are inclined to invest their money in their own employment and the employment of others. Efforts and good will are required on our part, as well. What could we recommend to returnees today? I would say that they should be informed about the concrete possibilities for employment or work in good time through our diplomatic and consular offices, self-management interest communities for employment and other corresponding institutions.

[Slavoljub Fatic] The Yugoslav Credit Bank Assembly has determined that in its commercial policy the most important factor is to assure a quicker return of the workers who have been temporarily employed abroad. Workers who intend to open shops at home now receive more favorable credit than do organizations of associated labor. Where is the advantage? In the interest rate. Organizations of associated labor, including those joined together in the bank itself, agreed with this. That is very important, because it means that associated labor is interested and ready to help our people to return home.

This bank has an information center in which one can really find out everything of interest to our returnees, from the conditions for establishing contracting organizations of associated labor, to regulations for opening independent craft shops. Its main advantage is in the lower interest rate, and that depends on whether funds are being sought for capital investment or for operating capital. The rate is one percent below that at other banks, and presently ranges between 6 and 12 percent. A returnee who starts a contracting organization must have money to provide 30 percent of the amount he is borrowing. If he opens an independent shop, he must deposit 33 percent in either foreign exchange or dinars, that does not matter. The bank offers technical assistance. In this bank, our man can take care of everything in

one place. For returnees, a very important system is that of designated savings. The longer a man saves, the greater advantage he gains when he borrows. There is a scale according to which a single invested dinar can get up to 8 dinars of credit.

[Question] Can a group of returnees propose to the bank that they will open a trade center on some premises?

[Slavoljub Fatic] The bank has already built such a trade center at Vrnjacka Banja, and now one is being planned in Belgrade, at Vracar, and others will be in Novi Beograd (New Belgrade), Zemun and Vozdovac. There will be space for craftsmen there. One should inquire at the assemblies of those opstinas, or thier economic sections. Of course, all of this relates to savers at the Yugoslav Investment and Credit Bank.

[Dragoljub Vujanic] In Belgrade, there are 140 basic organizations of associated labor involved in small business and 7,280 craft shops, for a total of 31,500 workers employed in small businesses. All Belgrade opstinas have composed a development program with the exception of Stari Grad (Old Town), where there are already many craft shops. The Zemun opstina has prepared a program for 71 craft shops, and it knows exactly what premises they will occupy. They are looking for mechanics, tinsmiths, automobile painters and tire repairmen. There will be 20 shops for them. Next, premises will be made available for 8 shoemakers, 5 tailors and several other master craftsmen. Then, there will be shops for 3 glasscutters, 2 barbers, 3 florists, 2 pita dough makers, 2 fancy bakers, 1 cabinetmaker and 1 purse maker. The Cukarica opstina anticipates building 49 shops, and everything has been prepared. It is important to note that the future proprietors have not been determined in advance. There is a special commission that will make those decisions, and competitions will be held every 15 days. The Novi Beograd opstina will open 40 shops in 25 local communities.

Belgrade also anticipates 40,000 square meters of commercial space for small businesses. A small part of this has been sold, because such premises are very expensive, but there are projects for craft centers in which the premises will be cheaper and the rent more manageable. I think that in Belgrade, the greatest problem is with the urban planners, for they see Belgrade in the distant future, and not in the next few years. They have difficulty in accepting the construction of low-cost prefab shops that would be suitable for new activities and that master craftsmen would be happy to purchase.

What Conditions Are Found in Various Places?

[Milojko Divac] Since I work in the Secretariat for the Economy, I will say something about regulations in order to inform our workers about what is new, positive and favorable. There is a different situation in each of the 114 opstinas in Serbia. In some places the possibilities for small business are very good, while elsewhere they are weaker and in some places they do not exist. Recently we had a very solid conversation about trade cooperatives. For example, in Nis there is a trade cooperative that employs several thousand craftsmen. It was organized in accordance with the Law on Associated Labor,

and it has the same status as a basic organization of associated labor. Therefore, it is normal that, like a basic organization of associated labor in the social sector, it should be exempted from paying the turnover tax. Yet the cooperative in Nis was fined 800 million old dinars, because it did not pay the turnover tax. At our request, the Federal Financial Secretariat interpreted the regulation differently, and the Nis craftsmen will get their money back. In this area of the regulations, the situation is different in Nis, different in Belgrade or Krusevac.

I would stress that there are misconceptions of the meaning of developing small businesses throughout the country. There are 185,000 workers abroad from Serbia proper. They should return and find work. The possibilities for doing that in associated labor are not great, and the only chances are really offered by small businesses. Yet if that is true, and if we recognize the fact that in the GNP of Serbia and of Yugoslavia, small businesses account for less than 7 percent of the total, and that in the North Rhine-Westfalia, the most developed part of the FRG, small businesses account for more than 70 percent of the GNP, then it is clear that our opportunities for employment in this sector must also be great.

[Question] Do you agree with the fact that small businesses in Serbia could employ 240,000 people, if they were properly handled?

[Divac] I think that even a greater number of people could be employed in small businesses in our republic. However, frequently the people who support cooperation between small businesses and associated labor are placed on the black list, because they are accused of making yokes between so-called private entrepreneurs and labor organizations. As a result, so that things will be more calm, people abandon such work, and there is no cooperation.

There are also some incredible misconceptions in commercial banks. A good example is the Yugoslav Investment and Credit Bank, and there are other examples. Yet some other commercial banks are deaf when there is talk of the needs of small businesses. The question of the value of present regulations also arises. Are they obstacles to the development of small businesses, or do they support it? We have determined that some are obstacles, and consequently we have proposed different solutions. The text of the previous Law on Commercial Shops stated that the sociopolitical community, or the opstina, could determine whether private commercial shops should be opened on its territory. We have proposed that that provision be eliminated. If all other conditions are met, a man can open a shop even right across the street from a supermarket. The main provision in the Law on Commercial Shops is qualification once attained are valid not just in one opstina, but throughout Serbia.

It is significant for returnees from abroad to know that the establishment of contracting organizations no longer requires a dossier that documents the economic justification for such an undertaking.

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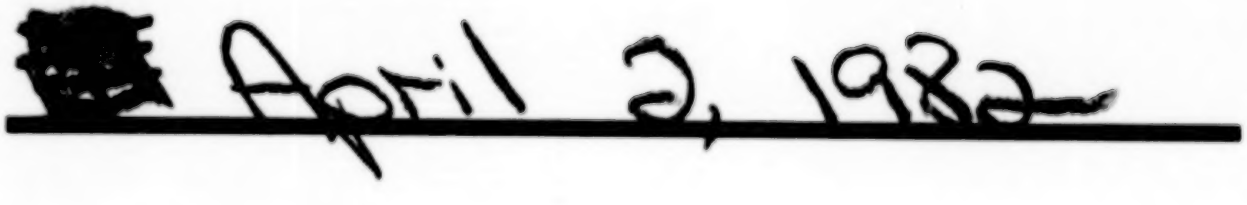
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